PULP & PAPER

December 1991

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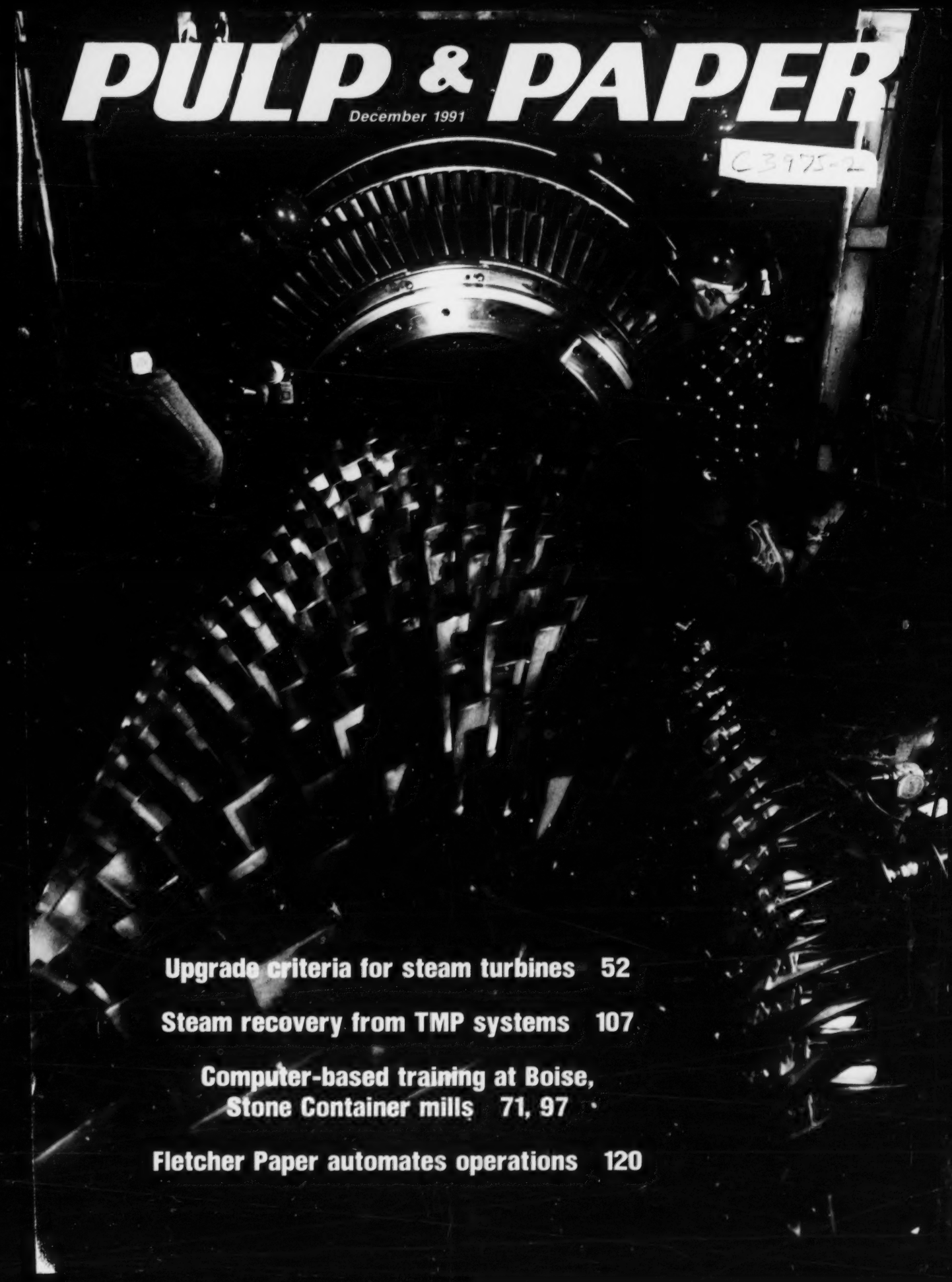

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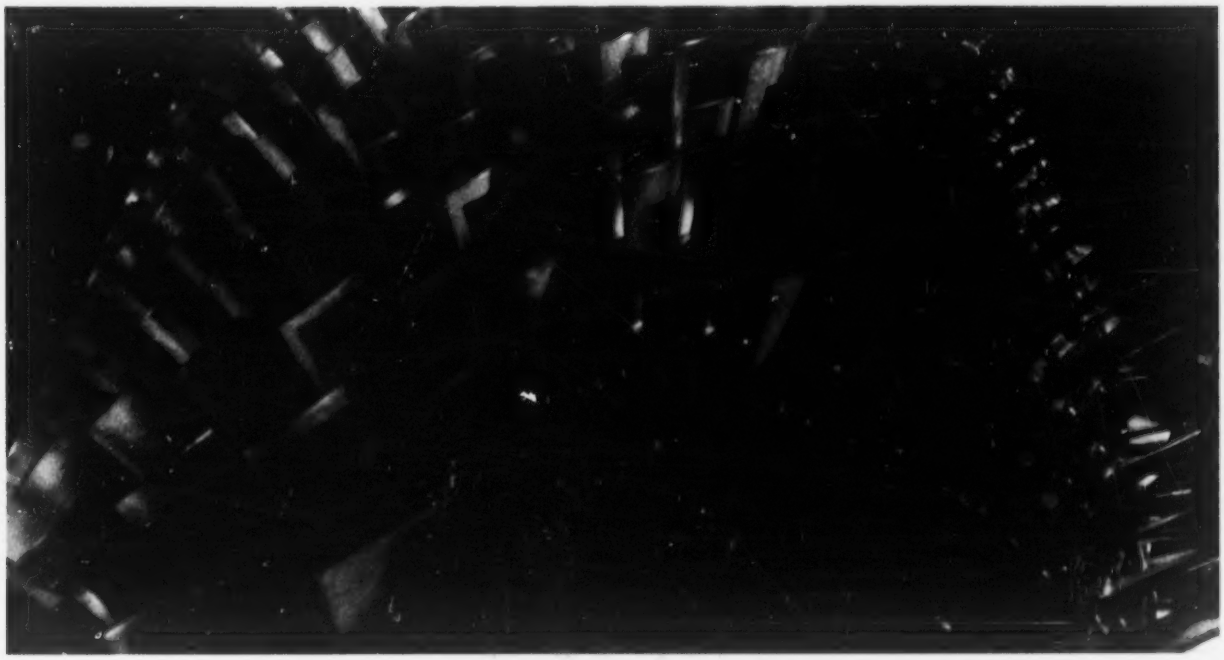

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This issue's focus on power and steam includes an analysis of considerations for upgrading steam turbines at pulp and paper mills, as well as discussions on recovering steam from thermomechanical pulping systems and methods of reducing boiler downtime (photo courtesy of G.E. Power Generation, Schenectady, N.Y.).

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Atlanta: 2000 Powers Ferry Center, Suite 450 Marietta, Ga. 30067; (404) 952-1303; Fax (404) 933-0666
Chicago: 6160 N. Cicero Ave., Suite 122, Chicago, Ill. 60646; (312) 545-0700; Fax (312) 545-9994
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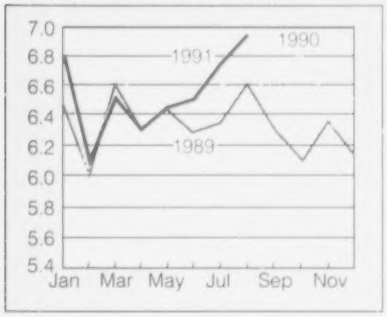
ABP

BPA

U.S. paper and board production



U.S. production of paper and paperboard totaled 7.0 million tons in August, up 3.2% from the same month last year, according to the American Paper Institute. The rising trend evident early last summer continued through August, keeping the seasonally adjusted two-month moving average above 81 million tpy. Strength was concentrated in the paperboard sector, with paper unchanged from last year's rate.

Among major grades, printing and writing shipments continued to rebound after bottoming out in March. Uncoated free-sheet recovered almost 17% from its March low thanks to recent support from commercial printers, reprographics users, and forms converters. Containerboard output for domestic use was up 0.4% through August, while production for export rose 16.2%. Boxboard production was up 6.3% for the domestic market and 9.8% for export, thanks in part to Mead's new machine at Mahrt, Ala.

Canadian newsprint shipments totaled 731,000 metric tons in August, down 2.5% from July 1990. Newsprint mills operated at 84% capacity, down from 90% last year. Woodpulp shipments climbed 6.5% to 673,000 tons, as operating rates rose from 84% last year to 90% in August 1991. ■

	Latest month (000 short tons)		% change from year ago	Annualized year-to-date (000 short tons)	% change from year ago
PAPER & PAPERBOARD PRODUCTION[1]					
Newsprint	Aug.	580	1.4	6,819	4.2
Uncoated groundwood (s)	Aug.	152	3.4	1,760	-1.4
Coated paper (s)	Aug.	656	-3.0	7,214	-3.8
Uncoated free-sheet (s)	Aug.	1,057	4.5	11,456	-0.7
Other printing/writing	Aug.	126	-8.0	1,470	-6.9
Total packaging and other paper (s)	Aug.	385	-2.3	4,632	-0.9
Tissue	Aug.	484	-3.4	5,694	-1.3
Total paper	**Aug.**	**3,439**	**0.0**	**38,946**	**-0.8**
Unbleached kraft paperboard	Aug.	1,864	8.2	20,651	2.6
Semichemical medium	Aug.	477	-0.2	5,670	-0.6
Bleached paperboard	Aug.	389	7.5	4,617	3.3
Recycled paperboard	Aug.	792	6.6	8,970	-0.3
Total paperboard	**Aug.**	**3,622**	**9.6**	**39,908**	**1.6**
Total U.S. paper and paperboard output	**Aug.**	**6,961**	**3.2**	**78,854**	**0.4**
PULP, WASTEPAPER & FIBER[2]					
Total U.S. woodpulp production	July	5,631	2.6	63,826	1.8
Market pulp production	July	793	0.6	9,076	3.5
Wastepaper consumption at paper/board mills	July	1,801	3.6	21,287	2.7
Pulpwood consumption (cords)	July	8,239	-2.7	96,892	-0.3
CONVERTED PRODUCTS STATISTICS[3]					
Corrugated box shipments (billion ft²)	Aug.	28.297	-0.1	212.875[6]	-1.0
Containerboard inventories at U.S. box plants and mills	July 31	2,706	2.0		
INTERNATIONAL TRADE[2]					
U.S. paper imports (including products)	July	951	-12.4	12,043	-9.0
Imports of Canadian newsprint	July	580	-15.8	7,657[6]	-10.6
U.S. paper exports (including products)	July	660	21.3	8,203	20.9
Exports of unbleached kraft linerboard	July	224	-0.9	3,037	13.0
Exports of woodpulp	July	497	5.5	6,402	9.2
Norscan pulp inventories[4]	Aug. 31	1,745	3.7		
Norscan pulp operating rates[4]	Aug.	87%	84%	87%	87%
CANADIAN STATISTICS[5] *(reported in metric tons)*					
Total newsprint shipments	Aug.	731	-2.5	5,798[6]	-7.1
Operating rates	Aug.	84%	90%	88%	94%
Inventories held by U.S. consumers	Aug. 31	1,454	5.3		
Other paper/board shipments	Aug.	658	-2.1	4,865	-2.3
Woodpulp shipments (export only)	Aug.	673	6.5	5,513	9.5
Operating rates	Aug.	90%	84%	89%	88%

1. American Paper Institute. 2. API, Bureau of Census, American Pulpwood Assn. 3. Fibre Box Assn. Paperboard Packaging Council. 4. North American/Scandinavian paper-grade market pulp. 5. Canadian Pulp & Paper Assn. 6. Not annualized. (s) = Shipments.

Newsprint: Markets hammered by combination of overcapacity, lower consumption, high inventories

Grade Structure: Daily newspapers use approximately 75% of all newsprint consumed in the U.S., with about 55% of total supply coming from Canada and 45% produced domestically. While newsprint has found greater use in weekly newspapers and commercial printing, consumption by daily newspapers in 1991 continued to be plagued by a slump in advertising tied to the general economic recession but also to fundamental changes in newspaper readership.

Production/capacity: The newsprint market in 1991 was generally shaped by an onslaught of new capacity, in the form of five new machines, and a disastrous mix of lower consumption and stubbornly high inventories. With North American capacity increasing by about 500,000 metric tons in 1991, and consumption down about 8% through the first nine months of the year, producers were left with the choice of raising price discounts to unprofitable levels or curtailing production, and, in many cases, they did both. Morgan Stanley estimated that, while North American newsprint supply increases at a 3.2% annual rate over the 1988-92 period, U.S. consumption will decline at an annual rate of 0.9%. Operating rates were expected to decline to about 88% in 1991 compared with 93% in 1990, and little improvement is anticipated for 1992 and 1993.

Many industry observers concluded that perhaps as much as 2 million metric tons needed to be taken off the market in 1991, but downtime through the first nine months of the year eliminated only half as much as needed. Producers instead increased price discounts in a pitched battle to remain in operation.

Producers have seen their profit margins fall from 20% in 1988 to 3% in 1990, with Canadians operating in the red and U.S. mills operating at breakeven levels in 1991. On-hand supplies of newsprint at U.S. publishers were beginning to show a gradual decrease in the third quarter, dropping from about 50 days in June to 43 days in September, according to the Canadian Pulp & Paper Assn. (CPPA), but stockpiles at Canadian mills remained at record levels through most of the year. Many producers hoped that a strike by British Columbia paperworkers would bring some relief, but the current contract was extended ten months. Customers who built up inventories in anticipation of a labor disruption were hard pressed to reduce them.

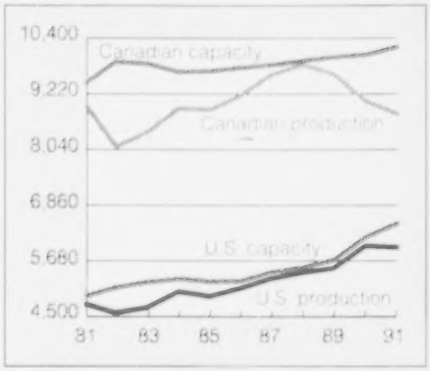
Despite the domestic market woes, Canadian shipments to markets other than the U.S. were up 21.9% to 1.5 million tons through the first nine months of the year, while U.S. shipments were up 33.1%, CPPA reported.

Outlook: Many major buyers said in the third quarter of 1991 that newsprint orders for 1992 would equal orders for the previous year, indicating that not much improvement in the business is anticipated. Buyers usually overestimate consumption in these projections, however, so a status quo scenario can also be construed as a ominous forecast that newsprint consumption may not recover at all in 1992. Profound changes are expected in the Canadian newsprint sector, with high-cost mills and machines facing permanent shutdown or conversion to value-added paper grades. Despite closures and conversions, the growth of recycled newsprint will somewhat offset further reductions in capacity.

Pricing: Following the failure of an attempted price hike in January 1991, newsprint prices deteriorated throughout the year. The sinking eastern market dragged down prices in the West, as discounts increased gradually for big, medium, and small customers alike. By September, many buyers were reporting discounts of about 30%, even on contract tonnage, while spot deals on lower-quality paper approached 40%.

Through 1992, producers will be more concerned with lowering discounts as market forces prohibit the possibility of an actual price increase until 1993. List price history is as follows (U.S. East, contract, year-end, per metric ton): 1976-$314; 1977-$331; 1978-$353; 1979-$413; 1980-$441; 1981-$500; 1982-$468; 1983-$500; 1984-$535; 1985-$535; 1986-$500; 1987-$570; 1988-$650; 1989-$650; 1990-$685; 1991-$685. ■

SUPPLY/DEMAND (000 metric tons)



FORECAST (000 metric tons)

U.S.	1989	1990	1991e
Production	5,523	5,996	5,965
Capacity	5,712	6,194	6,484
Utilization rate	96.7%	96.8%	92.0%
Apparent U.S. consumption	12,245	12,125	11,519
lb/capita	108.7	108.3	101.3
GNP ratio[1]	3.26	3.22	3.07
Canada			
Production	9,640	9,068	8,795
Capacity	10,020	10,070	10,229
Utilization rate	96.2%	90.1%	86.0%

e = *Pulp & Paper* estimate
1. 1,000 tons/$ billion real GNP

TOP NORTH AMERICAN PRODUCERS

Company	Annual capacity[1] U.S.	Canada	Market share Total	(%)
1. Abitibi-Price[2]	550	1,510	2,060	12.3
2. Canadian Pacific[3]	210	1,540	1,750	10.5
3. Bowater[4]	1,275	240	1,515	9.1
4. Fletcher Challenge	—	1,140	1,140	6.8
5. Stone Container[5]	275	845	1,120	6.7
6. Kruger[6]	—	1,020	1,020	6.0
7. Boise Cascade	535	305	840	5.0
8. Champion	815	—	815	4.9
9. Quebec & Ontario	—	765	765	4.6
10. North Pacific[7]	705	—	705	4.2

Market share of top five companies
45.4%
Market share of top ten companies
70.2%
Total North American capacity (1991)
16.71 million metric tons

1. All figures are in metric tons. 2. Includes joint ventures at Claiborne, Ala., Augusta, Ga., and Chandler, Que. 3. Includes 40%-owned Ponderay Paper Co. in Usk, Wash. 4. Includes East Millinocket, Maine, mill to be acquired from Georgia-Pacific Corp. 5. Includes Crown Forest Industries mill in Campbell River, B.C. 6. Improved from No. 9 in 1990 to No. 6 in 1991 with the startup of a new machine at Trois Rivières, Que. 7. Includes new machine started up in September 1991.

SALES AND EARNINGS

North American earnings plunge again

Growing capacity in the face of anemic demand contributed to another decline in corporate earnings for North American paper products companies during the quarter ending in September, as prices were sharply lower, with uncoated free-sheet and market pulp particularly hard hit. A *Pulp & Paper Week* survey of 30 U.S. forest products manufacturers shows third-quarter sales declined 3.5% to $23.3 billion compared with the same period last year. Earnings (adjusted for major nonrecurring items) of $534 million were off 53%. A separate survey of Canadian manufacturers again showed a significant quarterly loss.

There appear to be better times ahead for some in the U.S. as price increases have been implemented in recent months for several grades, including uncoated free-sheet, containerboard, bleached board, tissue, and even market pulp. A strong industry recovery, however, is not in the cards until the general economy shakes off its recessionary blues. And producers of certain grades, particularly newsprint, are going to have an especially hard time stemming price erosion due to excessive capacity additions and apparent structural changes on the demand side.

International Paper Co. once again topped the industry in terms of revenue, achieving a $3.28-billion tally. Third-quarter earnings of $109 million, however, were only enough for the number two spot (behind Kimberly-Clark Corp.) and were down 40% from year-ago results. According to the Deutsche Bank Group, a seasonal deterioration of profitability at IP's European operations (about 20% of 1990 sales) was part of the reason for the decline. On a more positive note, the bottom-line tally did show a slight improvement over profits ($104 million) in the quarter ending in June, as the containerboard group enjoyed improved pricing and sales volume, and a price increase for uncoated papers helped stem a revenue drop caused largely by significant industry capacity increases.

Heavily-leveraged Georgia-Pacific Corp. reported a net loss of $15 million for the three months ended Sept. 30, 1991, compared with a net income of $95 million in third-quarter 1990. The latest-quarter results do not include a $12-million after-tax loss accrual for the anticipated sale, for $300 million, of an 80% stake in the company's Great Northern Paper Inc. operations. More importantly, from G-P's perspective, the company was able to generate $140 million in "free cash flow." It achieved this, in part, by keeping capital expenditures at $85 million, less than 3% of sales.

The third largest of the diversified paper and forest products companies, Weyerhaeuser Co., suffered a 44% drop in profits to $50.4 million. Most of the damage was inflicted by a 62% decline in operating earnings, to $49 million, at its pulp and paper businesses. The falloff occurred due to depressed pricing combined with disappointing volume, as the company took heavy downtime for scheduled maintenance and because of weak market conditions. The forest products segment enjoyed somewhat more success with operating earnings at $71 million, up 60% year to year.

Burnell Roberts, Mead Corp. chairman and CEO, reported that the expanded coated board mill at Mahrt, Ala., achieved record operating rates in the third quarter. Positive news was also forthcoming from the company's school and office products business and its electronic publishing operations, Mead Data Central, which put through an August price hike and reaped the benefits from cost reduction programs. But these factors were outweighed by low prices for pulp, paper, and containerboard, as well as reduced sales at Mead's packaging and industrial supplies distribution business (Zellerbach). Looking ahead, price increases for coated board, corrugating medium, and uncoated paper provide room for optimism, but as Roberts cautioned, Mead's coated board and school and office supplies businesses are seasonally weaker in the coming quarters.

Tough times. Despite a price hike on containerboard late in the period, the third quarter was not an easy time for the nation's boxmakers. Stone Container Corp. reported a net loss of $13.4 million in third-quarter 1991 vs

Fire fighters douse an afternoon blaze Oct. 8 at Garden State Paper Co.'s recycled newsprint mill in Garfield, N.J. A gas explosion at the mill's power plant disrupted production for more than ten days, causing more than $1 million in damage. No employees were hurt in the incident, which also temporarily halted collection of old newspapers from 140 communities in the U.S. Northeast (Photo courtesy of *The Record*, Hackensack, N.J.).

a $19.7-million gain in the year-earlier quarter. But, citing data reported by the American Paper Institute, Roger Stone, chairman and CEO, noted that the company's most important business, containerboard/corrugated boxes, "emerged from the recession during the third quarter with total containerboard production of 7,104,000 tons, 4% ahead of 1990 and 8% above the previous quarter."

Temple-Inland Inc., though helped by continued tax breaks related to its financial services division, saw net income tumble 43% to $32 million, due to lower box and market pulp prices, as well as a scheduled major rebuild of the primary recovery boiler at its Evadale, Texas, mill. Meanwhile, Union Camp Corp., which is being hurt by its exposure to uncoated free-sheet, fared marginally better, only with the help of greater-than-normal income from land sales and real estate activities (approximately $7 million).

Boise Cascade Corp. posted another heavy loss as its paper and paper products segment continued to flounder. Third-quarter earnings, excluding nonrecurring items, sunk to a $49.4-million deficit compared with a $13.9-million gain in the year-earlier period and a $32.6-million loss in second-quarter 1991. Most of the damage was caused by lower paper prices and escalating wood costs in the Pacific Northwest. Adding to Boise's troubles, the company's aggressive capital expansion program has led to rapidly increasing interest costs, $130 million vs $80 million in the previous year. Boise's newsprint operations (about 930,000 tpy) may have to wait a while longer for relief. Newsprint woes, in large part, caused Bowater Inc.'s earnings to fall to $7 million in the period, 70% below the same quarter a year earlier, and 65% shy of second-quarter profits (excluding a $9-million extraordinary charge). Bottom lines of other major white paper manufacturers also showed the strain of unfavorable market conditions. Champion International Corp. came in just below break-even before taking into account a net nonrecurring gain of $11 million. And Consolidated Papers Inc. struggled with third-quarter net income slipping 42% from year-earlier levels to $19.8 million. Consolidated was hurt as the weak economy, combined with a continuing slump in magazine advertising, led to curtailed production and price erosion in the lightweight coated paper markets.

Kimberly-Clark has been the biggest success story among the majors in the paper industry in 1991. Third-quarter 1991 earnings advanced to $126.1 million, higher than year-earlier and second-quarter profits by 2.3% and 2.4%, respectively. The year-to-year progress was achieved as improved sales volume, increased productivity for some product lines, lower purchased pulp prices, and a 2.7% drop in the effective tax rate more than offset lower newsprint pricing and rising marketing costs. The recent jump in marketing expenses reflects, in large measure, aggressive promotion of "new or improved" consumer products as K-C muscles additional market share to accommodate recent increases in capacity.

James River Corp., on the other hand, is struggling. It's third-quarter net income, adjusted for nonrecurring items, was down compared with the year-earlier and June 1991 periods by

U.S. paper/products industry results.

	Third quarter 1991 ($000)			
Companies	**Sales 1991**	**% change 1991/90**	**Earnings 1991[1]**	**% change 1991/90**
Badger Paper Co. Inc.	$17,562	−10.6%	$1,136	61.1%
Boise Cascade Corp.[2]	1,016,690	−3.5	(49,379)	NM
Bowater Inc.	311,954	−10.0	7,052	−70.2
Champion International Corp.[3]	1,228,303	−5.1	(582)	NM
Chesapeake Corp.	219,456	1.6	4,840	60.8
Consolidated Paper Inc.	217,164	−8.0	19,771	−41.6
Federal Paper Board Co. Inc.[4]	341,800	15.3	24,200	10.5
Fort Howard Corp.[5]	298,685	−0.4	(19,853)	NM
Georgia-Pacific Corp.[6]	2,973,000	−13.3	(15,000)	NM
P.H. Glatfelter Co.	142,101	−6.3	17,370	−13.9
International Paper Co.	3,277,000	0.3	109,000	−39.8
James River Corp.[7]	1,118,814	−13.4	8,467	−85.5
Kimberly-Clark Corp.	1,694,600	7.6	126,100	2.3
Longview Fibre Co. (7/31)	161,320	−6.5	4,523	−73.1
Louisiana-Pacific Corp.	449,500	−0.3	26,600	25.0
Mead Corp.[8]	1,210,800	−4.5	25,300	−44.5
Mosinee Paper Corp.	51,894	0.3	1,769	−46.9
Pentair Inc.	300,587	0.0	11,193	18.4
Pope & Talbot Inc.[9]	124,013	−12.0	(735)	NM
Potlatch Corp.	322,922	2.8	18,220	−26.2
Scott Paper Co.[2]	1,210,200	−9.0	28,000	−56.8
Sonoco Products Co.[2]	420,766	1.3	25,108	−2.8
St. Joe Paper Co.	144,015	−3.6	4,347	−50.1
Stone Container Corp.	1,362,800	−4.6	(13,400)	NM
Temple-Inland Inc.	641,500	6.1	32,000	−43.4
Union Camp Corp.[2]	768,624	8.6	26,719	−48.2
Wausau Paper Mills Co. (8/31)	91,520	7.1	14,166	100.9
Westvaco Corp. (7/31)	564,579	−4.8	37,447	−21.2
Weyerhaeuser Co.	2,213,449	−2.2	50,404	−44.3
Willamette Industries Inc.	504,979	4.4	13,579	−56.6
Total	**$23,400,597**	**−3.5%**	**$538,262**	**−53.0%**

1. Income after taxes, from continuing operations. ( ) = losses. NM = not meaningful. 2. **Boise Cascade:** 1991 earnings do not include $35.1-million net nonrecurring gain associated with a $62.6-million pretax gain from sale of timberland and $15.2-million pretax "reserve" related to anticipated costs of the divestiture of certain assets. **Champion International:** 1991 earnings do not include net nonrecurring gains of $11.1-million (or $18-million pretax), mostly related to timberland sales. **Federal Paper Board:** Results are for 12 weeks ended 9/7/91 and 9/8/90. **Fort Howard:** 1991 earnings do not include a $4.9-million extraordinary loss related to the repurchase of longterm debt. **Georgia-Pacific:** 1991 earnings do not include $12-million aftertax loss accrual for anticipated sale of 80% stake in Great Northern Paper Inc. **James River:** 1990 earnings do not include a $143.6-million restructuring charge. **Mead:** 1990 earnings do not include a net extraordinary credit of $6.1-million and losses from discontinued operations of $5.9-million. **Pope & Talbot:** 1991 earnings do not include a $469,000 restructuring gain. **Scott Paper:** 1991 results do not include businesses to be divested. **Sonoco Products:** 1990 earnings do not include charge of $54.7-million for restructuring costs. **Union Camp:** 1991 earnings do not include greater than normal income from land sales and retail activity which added about $7 million to net income.

86% and 63%, respectively. The main culprits have been depressed prices for printing/writing papers, in addition to aggressive promotional budgets in the consumer products sector.

Scott Paper Co. has yet to show any dividend from the restructuring plan it initiated at the end of 1990. Scott's domestic (consumer) tissue operations suffered a 33% drop in year-to-year third-quarter income, due, in part, to higher marketing costs. But the main burden has been the dismal performance at Scott's S.D. Warren Co. printing and publishing papers unit. Scott Paper's overall net income plummeted to $28 million in third-quarter 1991, down from year-earlier and second-quarter results by 57% and 8%, respectively. ■

Canadians post massive losses

Corporate profits in the Canadian forest products industry continued to slide in the third quarter as newsprint and pulp prices spiraled down. Exacerbating the industry's woes, the brief second-quarter recovery in the lumber and building materials markets was reversed. A *Pulp & Paper Week* survey of 14 companies shows a net loss tally, excluding nonrecurring items, of C$206 million for the three months ending Sept. 30, 1991. In comparison, this same group posted a net deficit of C$31 million in the same period in 1990. Despite some announced price increases for market pulp, heavy losses are expected to continue in the fourth quarter.

The collapse of newsprint pricing continues to severely undermine profitability of the eastern Canadian producers. Abitibi-Price Inc. reported a C$16.6-million net deficit in the third quarter, its worst quarterly results of the year. Hurt by the price pressures, all of the company's major primary paper businesses, including newsprint and groundwood and coated papers, suffered operating losses. The country's second largest newsprint manufacturer, Canadian Pacific Forest Products Ltd., fared no better, reporting a C$55.2-million loss from continuing operations, roughly on par with second-quarter period results. The company was hurt by continued weak selling prices and reduced shipments, particularly in newsprint and market pulp, as well as rising interest expenses due to increased borrowing. Reported net income was close to break-even, however, as the company booked a C$54-million gain on the sale of its tissue subsidiary, Facelle Co., to Procter & Gamble Co. Proceeds from the sale, which totalled C$186.4 million, were used to reimburse indebtedness. Even so, steady operating losses and a relatively heavy capital expenditure program, which had rung up a C$327-million tab through the first nine months of 1991, have been wearing away at CP Forest's balance sheet. The company reported that at Sept. 30, 1991, debt represented 41% of total capital compared with 30% just one year earlier.

Even Donohue Inc., perhaps the lowest-cost newsprint producer in Canada, reported a sizable C$14.4-million shortfall at the bottom line for the three month period. The bulk of the deficit was caused by an C$11.9-million loss associated with the company's 50% ownership of Donohue Matane Inc., operator of a 190,000-metric-tpy bleached chemi-thermo-mechanical pulp (BCTMP) mill. Donohue Matane, which is co-owned by Donohue and Rexfor, a Quebec government agency, has since closed the pulp mill and related sawmills indefinitely. Consequently, Donohue's fourth-quarter results will almost certainly include a full or partial write-off of the company's C$40.4-million investment in Donohue Matane.

Noranda Forest Inc. reported a C$51-million loss in the September quarter vs deficits of C$40 million and C$42 million in the year-ago and June 1991 periods, respectively. Almost C$15 million of the loss is attributable to the company's equity stake in MacMillan Bloedel Ltd. K. Linn Macdonald, President and CEO of Noranda Forest Inc., described current market conditions as "the most difficult in recent memory, with the hoped-for recovery deferred at least until next spring." Macdonald added that Noranda was implementing cost-containment measures and would sell

Canadian paper industry results.

	Third-quarter 1991 (C$000)			
Companies	**Sales 1991**	**% change 1991/90**	**Earnings 1991[1]**	**Earnings 1990**
Abitibi-Price Inc.[2]	C$692,300	−8.5%	(16,600)	(700)
Canadian Pacific Forest Products Ltd.[2]	499,400	−8.5	(55,200)	(900)
Canfor Corp.[2]	205,900	4.7	(31,800)	(13,700)
Cascades Inc.[2]	195,203	−7.0	C$3,980	C$6,959
Crestbrook Forest Industries Ltd.[2]	41,309	−19.6	(3,561)	3,590
Doman Industries[2]	120,165	−17.7	(16,800)	(9,213)
Domtar Inc.[2]	454,000	−20.9	(39,000)	(21,000)
Donohue Inc.	103,300	−25.6	(14,400)	5,300
Fletcher Challenge Canada Ltd.	251,600	−1.5	(16,300)	4,000
MacMillan Bloedel Ltd.	665,300	−7.5	(29,500)	6,200
Noranda Forest Inc.	1,022,000	−5.2	(51,000)	(40,000)
Perkins Paper Ltd.	19,340	0.6	1,093	1,062
Repap Enterprises Inc.	262,500	−18.5	(41,900)	4,500
Rolland Inc.[2]	71,656	−27.3	(2,536)	(831)
Scott Paper Ltd.	110,826	−10.1	3,532	3,833
Slocan Forest Products	50,200	11.3	(4,200)	(1,300)
Weldwood of Canada Ltd.	159,900	−4.5	(9,000)	1,000
West Fraser Timber Co.	146,500	8.1	(3,900)	(1,200)
Totals[3]	**C$4,406,101**	**−8.4%**	**C$(312,342)**	**C$(55,500)**

1. Income after taxes, from continuing operations. 2. **Abitibi-Price:** 1990 results are restated. **Canadian Pacific Forest Products:** Does not include gains from discontinued operations (Facelle Co.): 1991 $54.2 million. **Canfor:** 1991 earnings do not include $2.7-million restructuring/rationalization charge. **Cascades:** 1991 and 1990 (restated) earnings do not include respective $12.3-million and $2.5-million losses related to discontinued operations (Port Cartier, Que., BCTMP mill). **Crestbrook Forest:** 1991 earnings do not include an inventory revaluation charge of $4.2-million and an initiative fee gain of $5.6-million. 1990 earnings do not include a $200,000 inventory revaluation charge. **Doman:** 1991 earnings do not include $7.9-million gain related to South Moresby settlement. **Domtar:** 1990 earnings do not include $1-million loss from discontinued operations. **Rolland:** 1990 earnings exclude a $6.6-million nonrecurring charge. **Totals:** Noranda Forest, which has a roughly 50% stake in MacMillan Bloedel, accounts for MB as a consolidated affiliate. Accordingly, to avoid double counting, MB's sales and half of its earning are excluded from the totals line. ( ) = losses

assets as it became necessary "to ensure that the company was well positioned to benefit when the market recovers."

The western Canadian companies, which tend to focus on market pulp and lumber as well as newsprint, fared no better than their eastern counterparts. With year-to-year third-quarter sales slipping 7.5% to C$665 million, MacMillan Bloedel reported a net loss of C$29.5 million, compared with a C$6.2 million gain and an C$11.3 million loss in the year-ago and June 1991 periods, respectively. The company attributed the deteriorating results to a sharp fall in the price of newsprint, adding that operating rates at its mills were less than 80% due to the continuing decline in newsprint consumption in the U.S., especially west of the Rockies. Pulp prices were also lower, and MB has taken, and continues to take, significant downtime to reduce inventory levels.

The only companies in the Canadian paper industry reporting positive net income during the third quarter were two tissue manufacturers, Perkins Papers Ltd. and Scott Paper Ltd. Despite very competitive tissue market conditions, Perkins, which makes 100% recycled paper products, managed to earn C$1.1 million in the third quarter, up 3% from year-ago profits, and 12% higher than second-quarter profits. In addition, the company reported that its new 28,000-metric-tpy machine at Candiac, Que., started up on Oct. 12 and "progresses well". Scott Paper Ltd. tallied earnings of C$3.5 million, down 8% from the year-ago period but up 10% from the June 1991 quarter. The company noted that strong cost performance at all manufacturing locations and lower raw material costs (ie., market pulp) offset the negative impact of excess industry capacity and a slow economy. ■

MERGERS AND ACQUISITIONS

G-P inks joint venture deal with Bowater

Bowater Inc. said it will pay $300 million in cash for an 80% interest in Georgia-Pacific Corp.'s Great Northern Paper Inc. (GNP) unit's newsprint and groundwood paper mills in Millinocket and East Millinocket, Maine. Also included in the deal are hydroelectric assets that power the mills, the Pinkham Lumber Co. at Ashland, Maine, and about 2.1 million acres of associated timberland. G-P acquired GNP when it purchased Great Northern Nekoosa Corp. last year. Sale completion is dependent upon approval by appropriate federal and state regulatory agencies but is expected to take place by the end of the year.

"Great Northern's products and markets are almost totally complementary to Bowater's," said A.P. Gammie, Bowater's chairman and CEO, in late October. "We are strong in newsprint except in New England, which is GNP's major market, and in lightweight coated groundwood papers. All our history has been in groundwood-based papers, and we have the technical expertise and market support to develop the GNP mills' assets," he added. "With their northern fiber timberlands, hydroelectric power, and highly skilled work force, we believe there is a very good fit to be obtained between the Millinocket mills and our mills in eastern Canada and the U.S."

Under this agreement, Bowater will manage GNP, and the company also has the option to purchase the remaining 20% interest for $22 million in the future. G-P has the right to require Bowater to make that purchase after June 30, 1992. Bowater explained that the recent purchase agreement grew out of joint development studies of the former GNN properties announced last year by Bowater and G-P.

Bowater will proceed with plans to install a recycling deinking plant for newspaper and directory papers at East Millinocket, something Great Northern Paper has been planning for some time, said GNP spokesperson Gordon Manuel. GNP had sought permits for a deinking plant last year. The permit application called for a $47-million, 500-tpd deinking plant that would use about 100,000 short tpy of old newspapers (ONP) and old magazines (OMG). Originally, the start-up was planned for late 1992 with initial capacity of 250 tpd. The resulting newsprint product would have 40% recycled-fiber content. GNP was awarded those permits this past June. The deinking plant is likely to be similar to the company's unit in Calhoun, Tenn., which uses 70% ONP and 30% OMG. It is also likely that the resulting deinked fiber will be designated for East Millinocket.

Expanding coated capacity. When market conditions improve, Bowater also intends to increase lightweight coated (LWC) paper capacity and production. Don D'Antuono, Bowater's vice president for corporate development, said the project could be a new machine or conversion of existing capacity. The machine probably would be designed with a capability of producing ultra-lightweight coated grades under 32 or 30 lb, something the company's Catawba, S.C., mill is unable to do with southern pine fiber. Currently, that mill is running 36- to 40-lb paper, though a number of trials have been made on lighter basis weights, a source from the company said.

Millinocket has five operating machines, three dedicated to coated groundwood papers, Manuel said. One of those machines has an on-machine coater, and an off-machine blade coater uses basestock from the other two. The remaining machines make mostly uncoated groundwood specialties but have also been used to make newsprint when market conditions warranted. The East Millinocket mill has been running two newsprint machines in addition to a directory paper machine.

Modernization long studied. For a number of years, GNP had been studying ways to make the two Maine mills more competitive in cost and quality. The joint study between Bowater and G-P followed a cancelled proposal for a greenfield LWC mill in a venture between GNN and MD Papier GmbH of Germany. Plans for the $484-million project at Millinocket collapsed when G-P bought out GNN. Great Northern's initial capital plans for the two mills called for a $2.5-billion investment, which included a new LWC paper mill, a new kraft pulp mill, and the conversion of the existing Millinocket groundwood papers mill.

The two largest newsprint machines at East Millinocket were rebuilt with twin-wires in 1987 at a cost of more than $150 million. A new LWC machine at Millinocket would probably come online in about two to three years, perhaps about the same time as the postponed 318,000-tpy machine Boise Cascade Corp. plans